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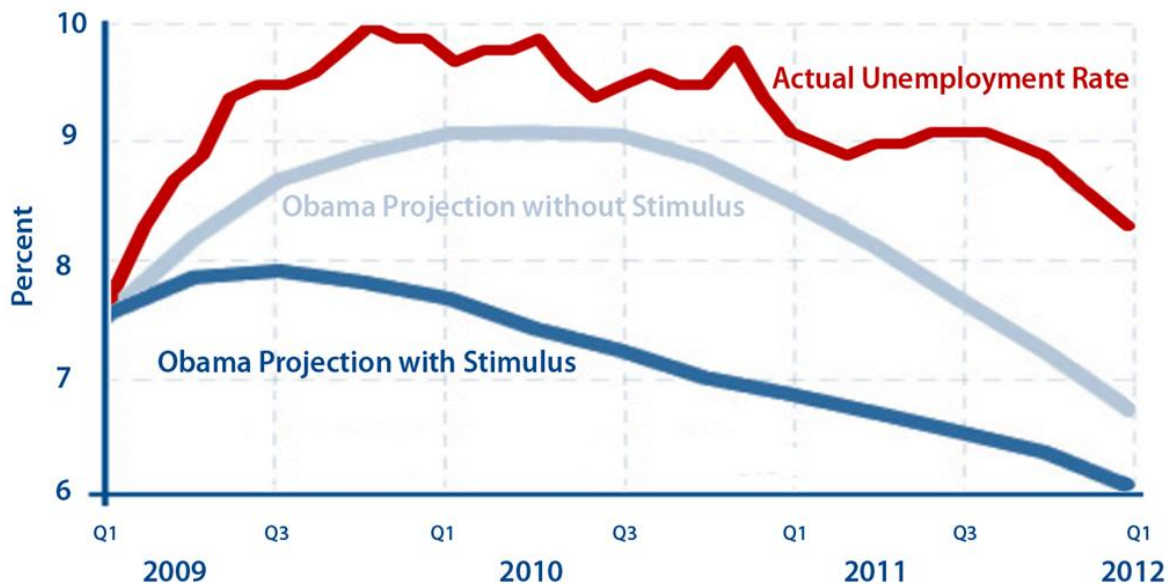
## The Obama Stimulus: Three Years of Failure

**“In this present crisis, government is not the solution to our problem; government is the problem.”**

*--Ronald Reagan, First Inaugural Address*

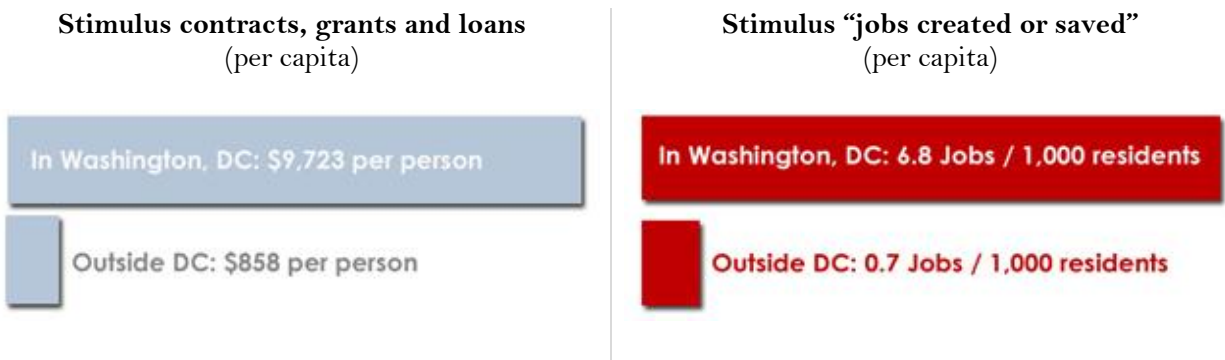
For the past three years, Washington has tried to “fix” the economy by directing funds to economic sectors the Obama Administration favors. This has not worked. It is time for the government to let the private sector create jobs without fear of tax increases or the burden of excessive regulation.

### Stimulus Failure: Reducing Unemployment



*White House stimulus projections: 6% unemployment today*

## Stimulus Success: Expanding Big Government in Washington



## President Obama's Spending Policies Have Failed

- The 2009 stimulus plan used Keynesian economic theory to predict unemployment would stay under 8%. The simple fact is that we have lost 1.15 million jobs since the Obama stimulus began, and three years on the unemployment rate has never been below 8%. The Congressional Budget Office predicted yesterday that the unemployment rate will remain above 8% until 2014.
- Keynesian projections rest on the faulty assumption that taking a dollar out of the private economy for the government to spend will result in more economic growth than if the private sector were allowed to spend that dollar as it sees fit.
- Keynesian models do not account for the economic harm caused by stifling federal regulations and future tax increases.
  - Regulations cost \$1.75 trillion per year and President Obama has added over \$230 billion in proposed and final regulatory costs last year alone. Repealing specific regulations, requiring Congressional approval of new major rules, and imposing a moratorium on regulations could have a positive effect on job creation.
  - The full expiration of the 2001 and 2003 tax cuts would take \$4 trillion out of the private sector starting in 2013, an average of \$400 billion per year. Removing uncertainty over these policies could have a positive effect on job creation.
- The flawed Keynesian economic models are not revised or discarded when the actual data turns out to be much worse than predicted. Instead, Keynesians take the new – worse – economic data, re-use the same economic models, and say that the economy would have been worse without Keynesian policies.
- Data shows that Keynesian models are not accurate. In a study of several stimulus efforts, Stanford economist John Taylor reports that it would not have been worse without stimulus: “Individuals and families largely saved the transfers and tax rebates. The federal government increased purchases, but by only an immaterial amount. State

and local governments used the stimulus grants to reduce their net borrowing (largely by acquiring more financial assets) rather than to increase expenditures, and they shifted expenditures away from purchases toward transfers.”

## Stimulus Spending Has Not Delivered

On this third anniversary of the stimulus, it is a good time to check in on how various provisions are working. As you read this list, keep in mind Vice President Joe Biden’s 2009 assurance that [“We know some of this money is going to be wasted.”](#)

### Entire Stimulus -- \$831 billion

*What Obama said:* The stimulus “will save or create more than [3.5 million jobs](#).”

*What happened:* [1.15 million jobs](#) have been lost since the stimulus was enacted, and we are experiencing the [longest stretch of over 8% unemployment](#) since the Great Depression.

### Shovel-Ready Projects

*What Obama said:* “We’ve got shovel-ready projects all across the country...[the minute we can get those investments to the state level, jobs are going to be created.](#)”

*What happened:* President Obama admitted that “[shovel-ready was not as shovel-ready as we expected.](#)” Even today in Nancy Pelosi’s San Francisco Bay area, [19 projects still have not broken ground.](#)

### Health Information Technology -- \$21 billion

*What Obama said:* “Because we know that spiraling health care costs are [crushing families](#) and businesses alike, we are taking the most meaningful steps in years towards modernizing our health care system.”

*What happened:* According to the [Bipartisan Policy Center](#), “Current meaningful use [of health IT] levels are less than originally projected when [the stimulus] was enacted.”

### Green Jobs -- \$20 billion

*What Obama said:* Stimulus funding for green technology “will create the [jobs](#) of the future.”

*What happened:* According to the New York Times: “efforts to stimulate creation of green jobs have [largely failed.](#)”

### High-Speed Rail -- \$8 billion

*What Obama said:* The [stimulus](#) high speed rail funds will “save or create 150,000 jobs, mostly in the private sector, by the end of next year”

*What happened:* [Funds were rejected](#) by governors in Florida, Ohio and Wisconsin due to cost concerns. California has [not started construction](#) and is debating how to continue the project [due to escalating costs](#). The Obama Administration's grants were "[better-suited to currying political support](#)" and would have resulted in "a disjointed patchwork."

### **Race to the Top -- \$4.35 billion**

*What Obama said:* The program was "the [most meaningful reform of our public schools](#) in a generation."

*What happened:* 41 states applied for the grants, 12 received money, and [only three states](#) are on track to meet the reform commitments they outlined in their proposals.

### **Aid to States -- \$87 billion**

*What Obama said:* The stimulus "includes [aid to state and local governments](#) to prevent layoffs of firefighters or police recruits."

*What happened:* According to the Bureau of Labor Statistics, between [February 2009](#) and [January 2012](#), state and local governments shed 634,000 workers.

### **Plug-In Electric Vehicle Tax Credit: \$2 billion**

*What Obama said:* The [stimulus](#) will lay "the groundwork for new green energy economies."

*What happened:* The stimulus' electric vehicle credit paid people to buy [golf carts](#).

### **Renewable energy assistance - \$8 billion**

*What Obama said:* The [stimulus](#) will take "big steps down the road to energy independence" and "transform the way we use energy."

*What happened:* Solyndra, Beacon Power, and Ener1 all [went bankrupt](#). The companies had received nearly \$700 million in stimulus loan guarantees.

In addition to these stimulus provisions, President Obama pushed the following separate measures that were designed as further stimulus:

### **Making Home Affordable programs -- \$30 billion**

*What Obama said:* "[T]hrough this plan, we will help between [7 and 9 million](#) families restructure or refinance their mortgages."

*What happened:* The programs have helped refinance [less than 1 million](#) mortgages.

### **Cash for Clunkers -- \$3 billion**

*What Obama said:* Cash for Clunkers "provided the American auto industry an [important boost](#)."

*What happened:* According to the National Bureau of Economic Research, industry gains from the July 2009 program were “almost [completely reversed](#) by as early as March 2010.”

### **Small Business Lending -- \$30 billion**

*What Obama said:* The bill will “help provide loans to [millions of small business owners](#).”

*What happened:* Only [\\$1.8 billion](#) has been provided to banks to loan to small businesses.

## **President Obama’s Budget Doubles Down on Stimulus**

Three years after his first stimulus, President Obama has sent Congress a budget that asks for increased short-term stimulus spending. In his budget and his American Jobs Act, he has requested more spending from Congress paid for by tax increases, including:

- \$30 billion for school and community college construction
- \$30 billion to state and local governments to pay their teachers
- \$5 billion to state and local governments to pay their first responders
- \$50 billion for transportation infrastructure
- \$15 billion to local organizations to purchase and rehabilitate foreclosed properties
- \$55 billion for counseling, retraining, subsidized employment, youth employment programs, and certain unemployment compensation

## **More Stimulus Will Produce More of the Same**

Despite all of the broken promises, the Obama Administration still insists that the “[Recovery Act is Working](#).” The stimulus has been a clear failure by the President’s own standards. Unemployment is not 6% as he promised it would by this time. The failed stimulus has been broken promises and more debt.

This type of shortsighted Keynesian spending ignores the fact that our national debt is now greater than 100% of Gross Domestic Product (GDP). As economists Carmen Reinhart and Kenneth Rogoff have shown, nations with debt above 90% of GDP experience at least [1% lower GDP growth](#). This would reduce anticipated growth from 3% to 2%. Economists in President Obama’s own Administration have admitted that this [1% of GDP corresponds to 1 million jobs](#).

Even with this massive debt creating negative pressure on our economy -- and with burdensome regulations and the threat of higher taxes harming small businesses -- President Obama is proposing more of the same failed stimulus spending. High debt levels subject our economy to foreign lending, weaken our dollar, and hurt U.S. job growth. Money spent to borrow is money that is not available to the private sector to invest in new plants or equipment, which could create jobs and economic growth. The Keynesian predictions did not come true with earlier stimulus, and additional spending will not make them any truer. The CBO also noted that job creation could be sparked by changes in regulations and policies related to energy, finance, and health

care sectors – all sectors where the Obama Administration has inserted more government. It is time to change direction.